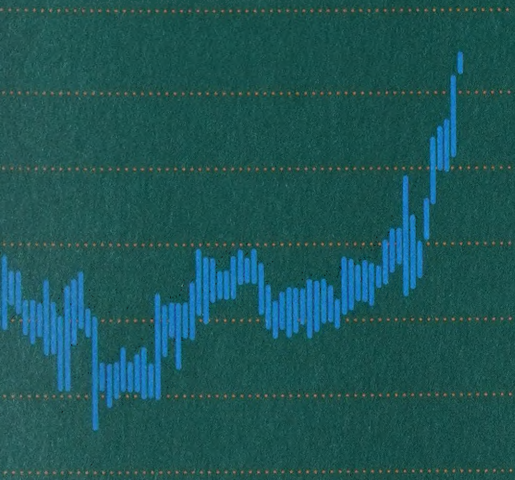

1992

VENCAP EQUITIES ALBERTA LTD.

ANNUAL

REPORT

Vencap Equities Alberta Ltd. – BUY

"The asset value is considered conservative. It takes into account writedowns and provisions for less successful investments, while in most cases valuing the more successful ones at their original costs. Several of the investments would be worth substantially more if they were sold or if they were to go public.

Potential exists for many of the companies comprising VENCAP to go public over the next few years. As these companies go public, VENCAP's asset value is likely to increase sharply."

Reprinted from RBC Dominion Securities report of April 6, 1992. Analyst: Richard Stovel, CFA

Vencap Equities Alberta Ltd.

Edmonton Office:
1980, 10180 - 101 Street
Edmonton, Alberta
T5J 3S4
Telephone: (403) 420-1171
Facsimile: (403) 429-2451

Calgary Office:
2000, 800 - 5 Avenue S.W.
Calgary, Alberta
T2P 3T6
Telephone: (403) 237-8101
Facsimile: (403) 264-0324

Annual General Meeting

10:00 a.m., Friday,
July 10, 1992
The Westin Hotel
10135 - 100 Street
Edmonton, Alberta

Vencap is a private-sector venture capital fund investing equity capital in new and existing companies. We are in the business of investing wisely and managing well – adding value to the companies in which we invest to enable their success and a profitable route to liquidity for Vencap.

Owned entirely by independent shareholders and management, Vencap was established in 1983 with a capitalization of $244 million. Total number of common shares outstanding at year-end was 3,774,165, or 16,509,790 fully diluted. Vencap is publicly traded on The Alberta Stock Exchange.

Vencap has committed $198.5 million of equity capital to 62 companies in western Canada and select regions of the United States during the last 8 1/2 years.

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CONTENTS

Composition of Revenue relative to Venture Investments

(Thousands)	*1984	1985	1986	1987	1988	1989	1990	1991	1992
Assets	250,978	264,121	266,805	271,174	279,035	294,685	294,069	287,410	292,684
Venture Investments & Commitments (Cumulative)	3,000	18,990	51,894	74,428	90,273	116,963	148,326	183,794	198,533
Venture Investments (Carrying Value – net of allowance)	3,000	11,090	38,194	50,811	69,930	71,085	82,457	87,790	109,330
Revenue									
Interest & Dividend Income from Marketable Securities & Venture Investments	10,563	25,559	25,132	23,766	21,886	22,461	25,006	22,443	20,775
Gains on Disposition									
Marketable Securities	–	–	–	–	776	–	–	–	36
Venture Investments	–	–	–	344	–	18,560	–	3,447	1,330
Losses on Disposition									
Marketable Securities	–	–	–	–	–	(274)	(18)	(174)	–
Venture Investments	–	–	(2,300)	–	–	(588)	(232)	(4,711)	(653)
Permanent Impairments	–	–	–	–	–	(8,847)	(5,000)	(10,450)	(1,292)
Net Revenue	10,563	25,559	22,832	24,110	22,662	31,312	19,756	10,555	20,196

* Partial Year

Increasing Underlying Shareholder Value

(Thousands, except per share figures)	*1984	1985	1986	1987	1988	1989	1990	1991	1992
Net Asset Value Per Common Share (Fully Diluted)	$2.03	$2.31	$2.54	$2.72	$3.04	$3.45	$3.71	$3.95	$5.41
Shareholders' Equity	5,348	12,399	17,856	21,390	30,275	40,141	46,482	48,715	50,764
Share Price (at March 31)	$1.62	$1.75	$2.05	$1.95	$1.65	$2.25	$2.15	$2.30	$3.75

* Partial Year

Return on Investment

(Dollars)	*1984	1985	1986	1987	1988	1989	1990	1991	1992
Initial outlay October, 1983 (50 common shares and $500 convertible debenture)	$550								
Cash receipts (interest and dividends)	$ 13	$60	$60	$60	$60	$60	$60	$63.50	$ 64.50
March 31, 1992, market value									$812.50
Rate of return on original investment, compounded annually									15%

* Partial Year

Composition of Revenue relative to Venture Investments

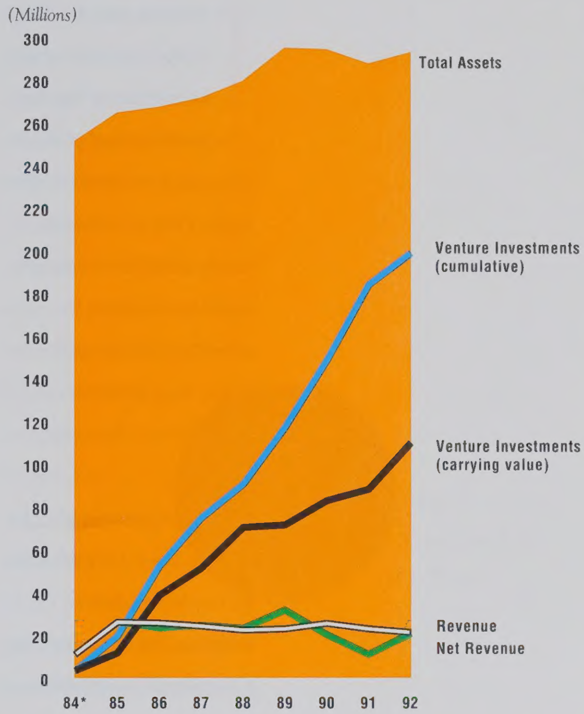
The difference between Total Assets and the Carrying Value of the Venture Investment Portfolio is comprised almost entirely of Vencap's Marketable Securities Portfolio – consisting solely of the highest quality, publicly traded preferred shares and government-backed securities.

Vencap's asset base reflects our risk-management practices of maintaining a healthy, stable balance between the risk of venture capital investments and a secure portfolio.

Revenue is derived from interest and dividend income from both the Marketable Securities Portfolio and Venture Investment Portfolio. Since 1983, total interest and dividend income earned has been $178.1 million and $19.5 million respectively.

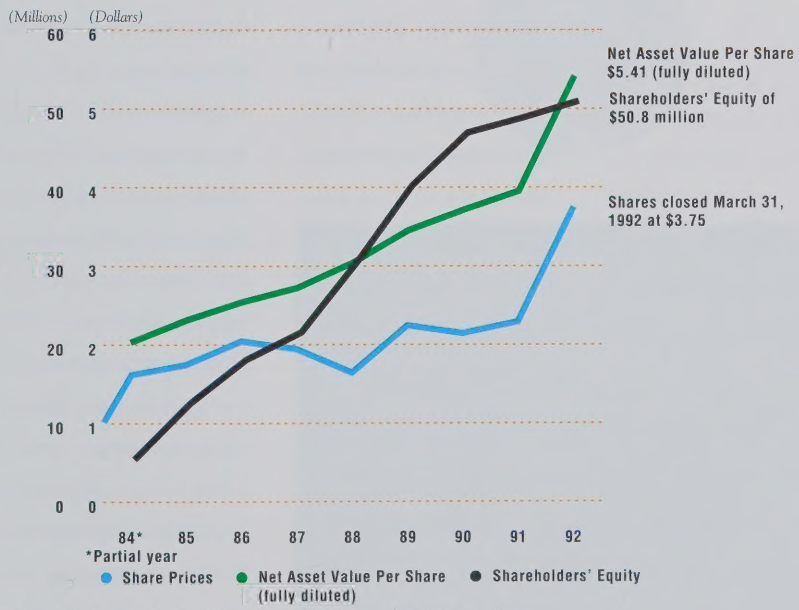
Funds are drawn down from the Marketable Securities Portfolio to invest in venture investments, resulting in a gradual decrease in revenues earned each year from the Marketable Securities Portfolio.

Net Revenue reflects adjustments for gains, losses and permanent impairments.



Increasing Underlying Shareholder Value

Vencap's Net Asset Value Per Share is based on Shareholders' Equity divided by the number of common shares outstanding. Shareholders' Equity results from the application of conservative accounting practices, which include accounting for venture investments at cost, writing down unsuccessful investments, and providing an allowance against future possible losses.



Original share offering October, 1983, at $1.00 per share

TO OUR SHAREHOLDERS

This past year has produced favorable activity within the Vencap portfolio and positive results in market activity for Vencap's common shares and debentures. The challenge has been to achieve these results in one of the most difficult economic periods in recent history.

As a venture investor committed to building successful businesses, we are witnessing a maturity in our portfolio of investee companies, and in the scope of new venture activities we pursue.

In the midst of this growth and change, we remain committed to the objectives that have defined our operations from the outset – to aggressively seek out, invest in, add value to and profit from business opportunities of outstanding potential and benefit to Alberta, thereby creating exceptional shareholder value.

An aggressive approach to seeking venture opportunities resulted in a total investment by Vencap of $31.4 million during the last year. This has been achieved in an environment that has presented both challenges and opportunities.

Challenges in that the number of venture opportunities we are seeing is reduced as fewer entrepreneurs are willing or able to initiate new businesses in the difficult business climate that currently exists in this country. Declining interest rates during the last year have also had an impact. Some entrepreneurs prefer to finance their businesses with debt capital and retain full ownership of their companies as opposed to obtaining equity capital and sharing ownership with a venture investor such as Vencap.

Opportunities in that an increasing number of existing, well-established businesses are receptive to joining the financial and value-added partnerships that a Vencap investment provides.

Investing in new venture opportunities, however, is only part of Vencap's venture capital activities. Investing follow-on rounds to companies already in Vencap's venture portfolio continued in fiscal 1992 and represented the largest portion of the year's investments and commitments. A total of $19.5 million was advanced to 17 existing companies to help them with expansion and growth or to strengthen their financial positions against the effects of current economic conditions.

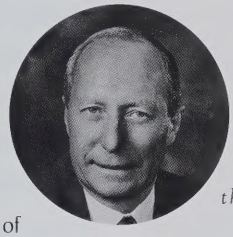
Due to the current economy, Vencap has witnessed the need to dedicate more time and resources to the value-added aspect of our venture activity. Vencap

For the year ended March 31, 1992, Vencap's revenues were $20.2 million compared to $10.6 million the previous year. Net income was $5.5 million, an increase from the $1.3 million reported in 1991. Basic earnings per share at year-end were $1.36 compared to $0.31 in 1991. On a fully diluted basis, earnings per share increased to $0.47 from $0.10.

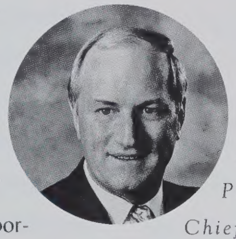
management and investment professionals work closely with the companies in which Vencap has invested to provide whatever assistance, guidance and expertise may be required. We view this value-added component as crucial to the long-term success of companies in which we invest. Without their success, without the prospect of significant growth being achieved, these companies will not become attractive acquisition targets or future candidates for initial public offerings to enable Vencap to sell its ownership positions and realize profits. **Profiting from our venture investment activity** continued in fiscal 1992 as Vencap realized proceeds of $5.6 million on the sale of investments, earning total gains of $1.3 million from dispositions related to five companies. A loss was recorded on one investment, for a total net gain of $0.7 million. Details of these transactions and the amounts of gains and loss by investment are detailed on pages 8 and 9.

We continue to account for venture investments conservatively, at cost adjusted for certain potential unrealized gains and losses. This amount is further reduced by an allowance provided for possible future losses or impairments that management may believe necessary. During fiscal 1992, we recorded permanent impairments totalling $1.3 million of venture investments. This is consistent with the risk management practices Vencap has exercised from the outset to ensure shareholder confidence in the underlying value and strength of the venture portfolio. Risk management of our venture portfolio is ongoing and ever present. Accepting that venture capital is risk capital, we endeavor to ensure our venture portfolio is balanced by industry, stage, and amount of investment so that we are not overly exposed or vulnerable. A complete breakdown and analysis of our venture portfolio is contained in upcoming pages of this report.

BIOSYS became the first company in Vencap's portfolio to undertake an initial public offering, issuing shares in March, 1992, at a valuation of $12 (U.S) per share, or a total capitalization of almost $90 million (U.S.). While our investment of $2,168,423 (U.S.) was valued at $4,704,732 (U.S.) on the date of the offering, the Securities and Exchange Commission prohibits the sale of all existing shares for 180 days. **Vencap's investment in BIOSYS** not only exemplifies an opportunity for profit, but also the benefit to Alberta that can be achieved as a result of our venture capital initiatives. Since 1987, when Vencap first invested in California-based BIOSYS, that company has undertaken all research and development work at The Alberta Research Council's Edmonton fermentation



Don Carlson, Chairman of the Board



R.A. (Sandy) Slator, President and Chief Executive Officer

Elsewhere in this report:
Detailed spreadsheet of Venture Capital Investments – pages 8 and 9; Quarterly review of financial results and transactions – pages 18 and 19; Management's Discussion and Analysis – pages 20 - 22.

facility. Vencap's experience with BIOSYS and other venture investors associated with the company has contributed immeasurably to our ability to attract other ventures, technologies, and people to Alberta. Investments by Vencap involving out-of-province opportunities have a common purpose: to create a bridge between Alberta and the centres of excellence and new development activities that exist elsewhere.

Shareholder value has been enhanced throughout the last fiscal year as demonstrated by Vencap's net asset value per share. Vencap's underlying asset value increased to $13.06 from $12.00 per common share (basic) last year, and to $5.41 from $3.95 (fully diluted).

We are constantly examining the avenues available to us for improving shareholder value. During the year, Normal Course Issuer Bids for both Vencap common shares and 12% convertible debentures were undertaken and reduced the total amount of outstanding shares by 277,100 to 3,774,165, and the total amount of convertible debentures by $1,290,500 to $34,490,500. As well, a change in conversion price of Vencap's 12% convertible debentures occurred July 3, 1991, whereby debentures convert to common shares at an equivalent price of $4.00 per share compared to the $2.50 equivalent price that existed earlier. This has reduced the potential number of outstanding shares that could exist if all debentures were to be converted to 8,622,625 from 13,796,200. Lastly, we undertook a Small Shareholder Selling Arrangement at the end of February to assist shareholders with 99 or fewer common shares to sell their holdings without incurring brokerage commissions. At year-end, this program had assisted 226 shareholders in selling their common shares on the open market. In the months ahead, we will be reviewing other alternatives for consolidating our shareholder position and improving our underlying capital structure.

We encourage you to review the remaining pages of this Annual Report. It will provide additional detail of our staff's efforts and accomplishments of the last year. It also conveys the dedication and hard work of the management and staff of the companies in which Vencap has invested.

Shareholders' equity in Vencap increased to $50.8 million from $48.7 million the previous year. Basic net asset value per share increased to $13.06 from $12.00 while fully diluted net asset value per share increased to $5.41 from $3.95.

On behalf of The Board of Directors,

Don Carlson
Chairman of the Board

R.A. (Sandy) Slator
President and
Chief Executive Officer

Venture capital investments of any size to a maximum of 10 per cent of Vencap's assets are considered in businesses where there is excellent potential for future growth or where there exists the opportunity to facilitate strategic alliances either for Vencap or the companies in which Vencap invests.

Vencap commitments have ranged from $150,000 to $18 million, while an average investment is between $2 million and $3 million. The majority of investments are made on a minority ownership basis involving positions up to 50%. Common and/or preferred shares are the most common investment vehicles.

Vencap seeks co-investors in those areas in which we can gain assistance in a specific kind of investment or industry, can build and strengthen our contact network, and gain strategic knowledge and advantage in certain industries that have applications to the Alberta marketplace. Investments in BIOSYS (featured page 16), SangStat Medical Corporation, and Applied Microsystems Corporation are enabling us to establish solid links with other centres of technology excellence and continue the building of a critical mass of expertise and technologies in Alberta.

While our interest extends to a broad range of industries and our priority is on the potential for return that exists, Vencap's primary attention is toward the entrepreneur and/or management team involved in each investment opportunity being considered. Vencap is not a passive investor. Our ability to work with, and our confidence in, the management of a venture opportunity are the primary security against the risk of our investment.

To ensure we can truly provide the value-added component of our financial partnership, Vencap focuses on investment opportunities whose locations do not inhibit the establishment of the ongoing association we strive to achieve. With its base in Alberta, Vencap invests primarily in western Canada and the western United States. In situations too far beyond Alberta, however, we seek co-investors – other venture capital funds in the region – to fulfil the role of lead investor and ensure that a value-added partnership exists.

Vencap's investment process is thorough and intensive. We invest in companies that meet our criteria and that we believe can meet our expectations.

Vencap invests in ventures that, if successful, create profit for Vencap and our shareholders. To that end, our investment practices involve:

- **helping to start new companies by investing early stage/start up capital. Example: WesterN SizzliN, page 10 of this report.**
- **investing in existing companies that require additional capital to finance growth and expansion. Example: Mark's Work Wearhouse, page 12.**
- **assisting competent management to acquire existing Alberta companies whose present owners wish to sell. Example: Forzani Group of Companies, page 12.**
- **investing outside the province in ventures that will assist in furthering the ability of Vencap and the companies in which we have invested to do business in an increasingly global marketplace and that will in some way enhance the Alberta economic infrastructure. Example: BIOSYS, page 16.**

VENTURE CAPITAL INVESTMENTS

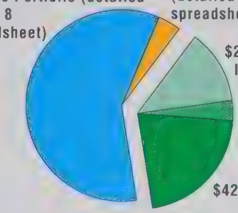
Name of Company	Major Products or Services	Fiscal Year First Invested	Stage of Investment at Time of First Investme			
			Early Stage	Expansion	Acquisition Related	Special Situation
CONSUMER PRODUCTS/RETAIL VENTURES:						
Alberta Television Network Inc.	Alberta-based commercial television stations.	1990	X			
CRS Restaurants Inc.	Canadian chain of WesterN SizzliN restaurants.	1991	X			
First Choice Wholesalers Inc.	Distributor of recreational vehicle & marine parts.	1990		X		
Folkestone Fine Linens Ltd.	High-quality bedroom, bath & table linens.	1990	X			
The Forzani Group Ltd.	Retail sport/leisure clothing & equipment.	1991		X		
Great Canadian Railtour Company	Rocky Mountain Railtour vacation packages.	1991	X			
Liquidation World Inc. ■	Close-out merchandise & excess inventory.	1990		X		
Mark's Work Wearhouse ■	Retail work apparel.	1992		X		
Marr's Leisure Holdings, Inc.	Distributor of recreational equipment & accessories.	1992				X
Medicine Shoppe Canada	Canadian chain of retail drug outlets.	1992	X			
Monarch Communications Inc.	Radio, TV & cable stations.	1991		X		
Museatex Audio Inc. ●	High-end audio components, electronics & speakers.	1991	X			
Nova Entertainment Inc.	Fully integrated movie distributor.	1991		X		
Peters & Co. Limited	Full service investment dealer.	1987		X		
Relax Development Corporation Ltd.	Full service economy hotels.	1986		X		
Net allowance against consumer products/retail ventures						
Total Consumer Products/Retail Ventures			6	8	0	1
INDUSTRIAL/MANUFACTURING VENTURES:						
Albchem Industries Inc.	Manufacturer of sodium chlorate.	1990	X			
ALPECO	Oil field equipment.	1988	X			
AMPTECH Corporation	Precision injection-molded plastics.	1987		X		
Asani International Corporation	International trading company.	1991	X			
Central Western Railway Corporation	Short-line industrial railway.	1992	X			
The Churchill Corporation ■	Industrial holding company.	1987			X	
Corod Industries, Inc.	Continuous & conventional sucker rod.	1985		X		
H.P.I. Beverages Ltd.	Independent bottler & canner of beverages.	1989			X	
Intercane World Corporation Ltd.	Proprietary sugarcane processing equipment.	1987	X			
Lakeside Farm Industries Ltd.	Meat packing & integrated agribusiness.	1986		X		
Mountain Minerals Co. Ltd.	Industrial minerals mining & processing.	1986		X		
Nascor Incorporated	Energy-efficient building structures.	1986		X		
Protective Apparel Inc.	Fire-resistant & other protective apparel.	1991	X			
PTI Group Inc.	Food services, camp facilities & oilfield supply.	1984			X	
Sun Country Foods Inc.	Environmentally pure production of fresh produce.	1990	X			
Net allowance against industrial/manufacturing ventures						
Total Industrial/Manufacturing Ventures			7	5	3	0
TECHNOLOGY VENTURES:						
ACT Computer Services Ltd.	Computer services & products.	1986		X		
Applied Microsystems Corporation	Computer emulation software.	1992	X			
BIOSYS ■	Biological pesticides – chemical free.	1988	X			
BTCI Group Ltd.	Agribusiness.	1986	X			
Cholestech Corporation	Pharmaceutical & diagnostic medical products.	1991	X			
D & S Petroleum Consulting Group Ltd.	Petroleum industry software products.	1985		X		
OrthoLogic, Inc. (formerly IatroMed, Inc.)	Electrostimulation medical devices.	1989	X			
Innogenics Inc.	Breast cancer prognostics.	1990	X			
K-Bro Group of Companies ●	Laundry services, primarily health-care related.	1990		X		
Medwave, Inc.	Medical electronic measurement devices.	1992	X			
Newtek Ventures II	Technology venture capital fund.	1991				X
Pathfinder Venture Capital Fund III	Medical & electronics venture capital fund.	1990				X
SangStat Medical Corporation	Diagnostic & therapeutic medical products.	1992	X			
Simborg Systems	Networking software for the health-care industry.	1990	X			
SPURT Investment Fund I	Technology venture capital fund.	1986				X
Stanley Technology Group Inc.	Technological consulting engineering.	1986		X		
Ubitrex Corporation	Point-of-care health-care information systems.	1992	X			
Westronic Inc.	Remote monitoring & control systems.	1986		X		
Net write-up of (allowance against) technology ventures						
Total Technology Ventures			10	5	0	3
TOTAL VENTURE PORTFOLIO BALANCE			23	18	3	4

● Reclassification from prior year.
New investment during fiscal 1992.
■ Publicly traded companies.

VENTURE INVESTMENT ACTIVITY FROM 1983 TO MARCH 31, 1992

Since inception in October 1983, Vencap has invested and committed a total of $198.5 million.

Of the $198.5 million cumulative venture activity, $124.0 million is currently invested and committed. The remaining $74.5 million has been sold, returned or written off, as detailed in the following.



The total net gain from Vencap's venture investment portfolio since 1983 is $15.2 million. A total of $19.5 million in interest and dividend income also has been earned on the venture investment portfolio since 1983.

	Sale	Return of Capital	Permanent Impairment	Gain (Loss)
Consumer Products/Retail				
Alberta Television Network Inc.			291,562	
First Choice Wholesalers Inc.	2,100,000			(653,304)
Marr's Leisure Holdings, Inc.		22,500		
Nova Entertainment Inc.			1,000,000	
Peters & Co. Limited	134,366	1,000,000		155,900
Relax Development Corporation Ltd.		150,000		
Skian Clothing Corporation Inc.		16,000	700,000	
Western Cartage & Storage (1962) Ltd.	2,394,000	100,000		(245,099)
	4,628,366	1,288,500	1,991,562	(742,503)
Industrial/Manufacturing				
AgriTrends Research Inc.	200,001			(173,701)
ALPECO		850,500		
AMPTECH Corporation		250,000		
Clarepine Industries Inc.			5,000,000	
Computalog Ltd.	512,500			(111,004)
Corod Industries, Inc.	1,190,000			523,041
Mountain Minerals Co. Ltd		200,000		
PTI Group Inc.		3,858,000		
Sherritt Gordon Limited	18,125,000			16,502,400
	20,027,501	5,158,500	5,000,000	16,740,736
Technology				
ACT Computer Services Ltd.		100,000	847,500	85,000
BTCI Group Ltd.			10,500,000	
BioTechnica International Inc.	4,952,867			(4,413,546)
GEOTECHnical resources ltd.	1,100,000			(587,500)
SN Hanson Group Enterprises Ltd.	1,266,000			496,635
IDACOM Electronics Ltd.	1,723,900			2,741,758
Myrias Research Corporation			7,249,994	
Niart International Inc.	2,300,000			(2,300,000)
Simborg Systems Corporation	885,600			386,439
SPURT Investment Fund I		48,021		
Stanley Technology Group Inc.	2,029,218			732,249
Synerlogic Inc.	3,483,267			2,057,497
	17,740,852	148,021	18,597,494	(801,468)
	42,396,719	6,595,021	25,589,056	15,196,765

Correspond to $74.5 million previous venture investment activity.

ACTIVITY DURING FISCAL 1992

Balance March 31, 1991	Additional Investments During Fiscal 1992	Disposition of Investments During Fiscal 1992: Sale	Return of Capital	Permanent Impairment	Decrease (Increase) in Allowance for Unrealized Gains and Losses	Balance March 31, 1992	Gains (Losses) on Dispositions During Year	Additional Commitments Approved but not Closed
			(Canadian Dollars)					
291,562	0			291,562		0		
2,100,000	1,000,000					3,100,000		1,000,000
1,100,000	1,000,000	2,100,000				0	(653,304)	
250,000	600,000					850,000		
2,150,000	1,350,000					3,500,000		
2,500,960	175,000					2,675,960		
1,490,000	0					1,490,000		
0	3,000,000					3,000,000		
0	1,350,000		22,500			1,327,500		
0	599,850					599,850		
5,000,000	0					5,000,000		
1,500,000	1,000,000					2,500,000		
1,600,000	0			1,000,000		600,000		
368,401	0	134,366	234,035			0	155,900	
7,300,000	0		50,000			7,250,000		
25,650,923	10,074,850	2,234,366	306,535	1,291,562		31,893,310		
(830,034)					(2,030,285)	(2,860,319)		
24,820,889	10,074,850	2,234,366	306,535	1,291,562	(2,030,285)	29,032,991		
6,252,500	296,000					6,548,500		2,204,000
4,319,321	0		850,500			3,468,821		
4,125,112	500,000					4,625,112		
2,000,000	750,000					2,750,000		
0	999,994					999,994		
14,000,000	0					14,000,000		
625,429	0	625,429				0	178,694	
850,000	0					850,000		
4,000,000	0					4,000,000		
5,000,000	7,750,060					12,750,060		
2,450,000	0					2,450,000		
1,500,000	0					1,500,000		
1,250,000	0					1,250,000		
1,825,000	0					1,825,000		
1,038,725	1,456,725					2,495,450		
49,236,087	11,752,779	625,429	850,500	0		59,512,937		
(3,264,200)					(1,484,638)	(4,748,838)		
45,971,887	11,752,779	625,429	850,500	0	(1,484,638)	54,764,099		
0	0					0	70,000	
0	2,886,537					2,886,537		
1,826,481	787,864					2,614,345		
1,500,000	0					1,500,000		
1,767,915	257,708					2,025,623		
2,000,000	0					2,000,000		
1,500,590	0					1,500,590		360,000
275,000	0					275,000		
3,000,000	225,000					3,225,000		
0	287,215					287,215		
570,767	545,583					1,116,350		2,432,965
232,260	469,355					701,615		1,680,000
0	1,419,641					1,419,641		
0	0					0	192,909	
251,979	0					251,979		
2,029,218	0	2,029,218				0	732,249	
0	1,350,000					1,350,000		
2,448,835	1,320,792					3,769,627		
17,403,045	9,549,695	2,029,218	0	0		24,923,522		
(405,766)					1,014,923	609,157		
16,997,279	9,549,695	2,029,218	0	0	1,014,923	25,532,679		
87,790,055	31,377,324	4,889,013	1,157,035	1,291,562	(2,500,000)	109,329,769	676,448	7,676,965
Corresponds to Balance Sheet (1991)	Correspond to Note 4	Correspond to Note 4	Correspond to Note 4	Corresponds to Statement of Income and Statement of Changes in Financial Position	Corresponds to Statement of Changes in Shareholders' Equity	Corresponds to Balance Sheet (1992)		

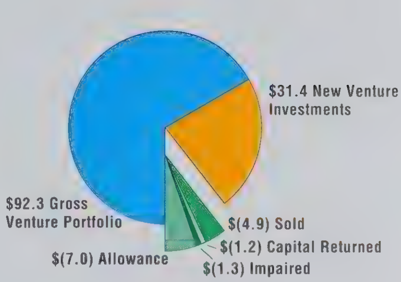
CURRENT VENTURE INVESTMENT PORTFOLIO

Vencap invested $31.4 million in 8 new and 17 existing venture investments during fiscal 1992.

(Millions)

Gross Venture Portfolio

Opening Balance (1991)	$ 92.3
New Venture Investments	31.4
	123.7
Sold	(4.9)
Capital Returned	(1.2)
Impaired	(1.3)
Closing Balance (1992)	116.3
Allowance	(7.0)
Net Venture Portfolio	**$109.3**

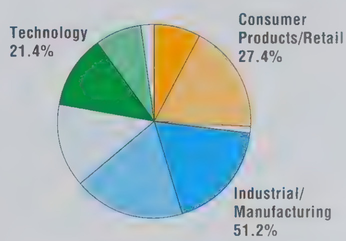


Gross Venture Investment Portfolio By Stage and Sector

Total Gross Venture Portfolio at March 31, 1992 - $116.3 million in 41 companies

Consumer Products/Retail - 12 Companies

5 Early Stage	$ 9,725,810	
6 Expansion Stage	20,840,000	
1 Special Situation	1,327,500	
	$31,893,310	27.4% of total portfolio



Industrial/Manufacturing - 14 Companies

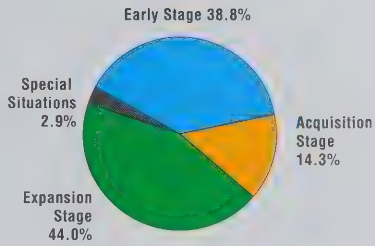
7 Early Stage	$ 21,512,765	
4 Expansion Stage	21,325,172	
3 Acquisition Stage	16,675,000	
	$59,512,937	51.2% of total portfolio

Technology - 15 Companies

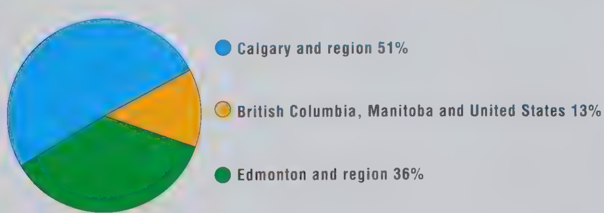
9 Early Stage	$ 13,858,951	
3 Expansion Stage	8,994,627	
3 Special Situations	2,069,944	
	$24,923,522	21.4% of total portfolio

Total - 41 Companies

21 Early Stage	$ 45,097,526	38.8% of total portfolio
3 Acquisition Stage	16,675,000	14.3% of total portfolio
13 Expansion Stage	51,159,799	44.0% of total portfolio
4 Special Situations	3,397,444	2.9% of total portfolio
	$116,329,769	100.0% total portfolio



Geographic Location of Venture Portfolio



The highest form of risk – the highest potential for significant profit – best defines investments of an early stage/start up nature. The value-added component brought by the venture investor can, and most often does, make the difference.

VENCAP'S EARLY STAGE/START UP PORTFOLIO

- $45.1 million in 21 companies
- includes $9.7 million in Consumer Products/Retail, $21.5 million in Industrial/Manufacturing, $13.9 million in Technology
- 38.8% of total portfolio

Featured on these pages last year, Folkestone Fine Linens Ltd. has not been impacted by the downturn in many retail areas and continues to exceed Vencap's expectations for a start-up investment. In fact, Folkestone attracted the interest of the large U.S.-based linen retailer, Pacific Linen Inc. of Seattle, Washington, which is pursuing an expansion strategy into Canadian markets. Subsequent to Vencap's fiscal year-end, Folkestone was acquired by Pacific Linen for $3.3 million. Vencap's investment is now valued at nearly four times our original cost and the carrying value of this investment.

More than with any other stage of investment, early stage/start up requires intensive time demands by Vencap as all levels of management support and assistance must be provided. For the folks at WesterN SizzliN, high value has been placed on our value-added.

"You call us 'portfolio' or 'affiliate' companies. I call us 'partner' companies, because that's the relationship we have," says Tom Sacco, president of WesterN SizzliN (CRS Restaurants Inc.). "It's very much been a 'we' approach having Vencap involved."

The financial sophistication made available, including assistance in establishing disciplined accounting controls and systems, is at the top of Tom's list. So, too, is the management input in planning future operations – even as current operations are changing and growing. Building new restaurants and managing existing restaurants aside, the challenge and administrative logistics involved in adding 110 to 125 new employees to the payroll each time a restaurant is opened can be immense. Tom points also to the role Vencap's investment staff played in working with leasing companies, land developers, and construction companies, and in developing relationships with banks and other possible venture investors.

And certainly of value has been the credibility that Vencap's investment has brought to WesterN SizzliN's ability to do business with these professions, in addition to food and equipment suppliers. Initial reluctance on the part of suppliers is understandable; they have no reason for confidence when the long-term viability and prospects of a new business are not known or apparent.

With two restaurants now open in Edmonton, two under way in Calgary and one each in Red Deer, Winnipeg and Kelowna all planned for completion by the end of the year, some fine-tuning has already begun to make the concept even more popular than initial results indicate. More selections of side salads to offer with entrees,

WESTERN SIZZLIN
(CRS RESTAURANTS INC.)

Early Stage investments typically involve between $250,000 and $2 million, depending on the company and industry involved. This stage represents one of the highest forms of risk and potential for failure but, if successful, also the highest potential for significant profit. These investments require intensive time demands by Vencap as all levels of management support and assistance must be provided.

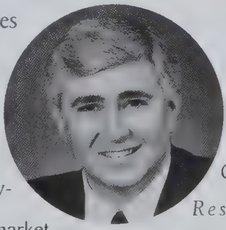
WesterN SizzliN's approach of great value for good food (and lots of it), has captured a niche of the dining market in which a great deal of potential exists. "The restaurant industry in Canada is huge. 70.5% of all Canadians have eaten out in the past seven days, and seven out of every eight Canadians have eaten out in the past two to three weeks. 41% of all foodservices revenue, which in 1991 exceeded $26.1 billion, is spent in the segment in which WesterN SizzliN intends to become the leader – the mid-priced, casual style, full service, family dining restaurant."*

* Source: Canadian Foodservices and Restaurant Association information and statistics research.

Vencap's investment in CRS (WesterN SizzliN) Restaurants Inc. – $3.1 million, including both the original investment and follow-on funding advanced during the year.

combination dishes, a selection of pasta dishes, draught beer on the bar menu, cappuccino on the beverage list. **WesterN SizzliN's first two restaurants** served 30,000 customers in only their first two months of business. And most customers have actually completed the questionnaire WesterN SizzliN provides to solicit feedback and input – only 80 have reported unsatisfactory dining experiences. Tom has written to every one of them, many of whom have provided useful suggestions for improvement that have been incorporated into each restaurant's operation.

Building a successful, profitable business by providing value and service to customers – from the perspective of a venture investor, it's a concept with potential. The reality is, more than 90% of all franchise restaurants "make it." The perception exists among most venture investors that the failure rate is higher when, in fact, failures most often occur among operations with only one or two restaurants serving a single, local market.



Tom Sacco, President, CRS Restaurants Inc. (WesterN SizzliN)

Vencap's investment in Mark's Work Wearhouse has generated interest, created surprise and some confusion.

Surprise since Mark's Work Wearhouse has faced an extremely difficult retail economy resulting, in the company's own words in its recently issued annual report, in "rollercoaster-like performance: net earnings of $4.3 million in fiscal 1990 to a loss of $6.4 million in fiscal 1991." The company reported a loss of $8.8 million in the year ended January 25, 1992. However, the company also understands that it can point to the retail economy only so far in explaining its financial results. Its performance also pointed to some fundamental problems.

Some of those problems already have been addressed, others are being tackled. Among these issues have been the company's car business, which has been sold as Mark's Work Wearhouse refocuses on its core business as a retail clothes merchant. Also, its real estate strategy of store concepts and locations has been streamlined to eliminate non-producing outlets and strengthen the free-standing "destination" stores that comprise the bulk of the company's business. Change at the senior executive level has resulted in a small management team intent on the immediate turnaround of the company. The short-term view is that Mark's Work Wearhouse can achieve an annual 4% after-tax profit by fiscal 1995.

An underlying cause of concern for both existing and potential shareholders of Mark's Work Wearhouse has been its capital structure and the existence of special voting shares owned by the company founders. That unique feature has deterred the company's ability to attract and keep investor interest.

Under terms of Vencap's investment, those special voting shares have been cancelled. All issued and outstanding shares of the company have been converted into a single class of common shares. Vencap's investment is in the form of special warrants, convertible into common shares at $1.00 per share. When fully converted, Vencap's ownership in Mark's Work Wearhouse will be 16.8% – the single-largest ownership position held by a shareholder.

Confusion. As a publicly traded company, Mark's Work Wearhouse traditionally wouldn't be viewed as a venture capital opportunity. In tough economic times, however, the challenges being experienced by companies translate into opportunities for a venture

VENCAP'S CONSUMER PRODUCTS/RETAIL PORTFOLIO

- $31.9 million total investments in 12 companies
- includes $9.7 million early stage, $20.9 million expansion, $1.3 million special situations
- 27.4% of total portfolio

Featured on these pages last year, the Forzani Group of Companies has done well despite a tough retail environment. Since acquiring Sport Chek as a result of Vencap's investment in the Forzani Group, the company has renovated one Sport Chek store in Edmonton and added two new outlets in Calgary. The Forzani Group has consolidated its administrative and warehouse operations in one new efficient facility, which includes a warehouse clearance centre for the Calgary marketplace.

"Mark's Work Wearhouse is a very good concept. I've rarely found anyone who objects to their market focus or the product they deliver in the retail environment. When it comes to the company's execution over recent years, however, there has been a lack of discipline. Significant operating and policy changes have been made and the company is concentrating on its principal business. Certainly, the solid financial position and terms from the new capital it raised will make them more disciplined, consistent and profit-oriented. It's a tough economy; the company will have to execute. But they have a competitive place in the market."

George Hartman
Financial Analyst
BBN James Capel Inc.

MARK'S WORK WEARHOUSE LTD.
(DENVER HAYES – THE COMPANY'S OWN NATIONAL LABEL OF DENIM WEAR.)

investor. Vencap's $3 million investment, as part of a total $8 million new equity raised by Mark's Work Wearhouse, has considerably strengthened the company's balance sheet and allowed it time to effect a turnaround. And that's important for another reason. Mark's Work Wearhouse is the only national clothing retailer based in Alberta. The company employs 1,100 people and generated gross sales last year of $132.7 million from its 86 company-owned stores and $53 million through its 57 franchised outlets.

Vencap's investment in Mark's Work Wearhouse - $3,000,000

Clearly, the potential for performance exists. Vencap believes that Mark's Work Wearhouse represents significant opportunity to profit from this investment. We have structured a deal that serves and satisfies both parties.

Mark Blumes, President and Chief Executive Officer, Mark's Work Wearhouse Ltd.

Later stage ventures, such as Vencap's investment in Mark's Work Wearhouse, typically involve $1 million to $10 million. This investment stage is represented by companies with established markets and proven management that have the potential to become major players in their industries. With headquarters in Alberta, Mark's Work Wearhouse is already recognized as commanding the leading position in its retail niche across Canada but has seen the financial impact of a tough economy on its business operations. By strengthening the company's balance sheet, Vencap believes its investment will enable Mark's Work Wearhouse to withstand the current retail downturn and provide a significant return on investment to Vencap shareholders.

"To survive is to be global," is the view of Protective Apparel's management team. Well-established in its principal market of western Canada, and with major inroads achieved in eastern markets, PAI has begun the next stage of its business strategy – to explore and develop new markets in the United States, Europe and southeast Asia.

In conjunction with this geographic expansion, PAI continues to identify new product areas to be introduced to the company's line of protective apparel. Initially concentrated on the hazardous work sites of the international oil and gas industry, PAI is making inroads in promoting its garments to the utilities, telecommunications, steel, mining, and forestry industries. Its most recent initiative was to work with a textile manufacturer in the development of a new fibre-weave combination for use in garments specific to the welding industry.

A critical element of Protective Apparel's market penetration and acceptance has been its emphasis on service and supply. Protective Apparel's same-day turnaround for standard inventory items is of high value when customers are accustomed to the eight- and 10-week delivery schedules of other manufacturers. It's important. Customers can't wait that long if they have crews responding to emergency or hazardous situations.

In addition to manufacturing and maintaining an inventory of Protective Apparel's standard garments, the company also develops and designs the specific protective garment programs required by customers for their unique circumstances and industries. At present, PAI is bidding on a contract for the protective apparel program of an international company's worldwide operations.

In fact, it is custom orders, especially on an international level, that are driving Protective Apparel's growth. And the company is better positioned to attract international orders since it became, in 1991, the first and only manufacturer of protective workwear to receive both ISO-9000 and CSA CAN 3-Z299 quality assurance designations, as audited by The Quality Management Institute, a division of the Canadian Standards Association.

That these accreditation designations for PAI's quality assurance program are important is an understatement. The designations are meaningful distinctions for the people and

VENCAP'S INDUSTRIAL/MANUFACTURING PORTFOLIO

- $59.5 million total investments in 14 companies
- includes $21.5 million early stage, $21.3 million expansion, $16.7 million acquisition stage
- 51.2% of total portfolio

Featured on these pages last year, Albchem Industries Ltd. completed construction and start-up of its sodium chlorate plant on time and under budget. In the first full year of production, more than 35000 tonnes have been produced and shipped to Australia, Taiwan and China, and, in North America, to Georgia, California, Minnesota, Utah and New Brunswick, as well as to most of the pulp and paper operations in western Canada. Sodium chlorate is the environmental alternative to bleaching pulp and paper without producing dioxins.

"Protective Apparel recognized long before anyone else the importance of attaining the ISO 9000 certification. It will position them globally. At DuPont, we intend to grow our Nomex fibre business internationally. And our quality assurance program is intended to encompass all aspects of Nomex fibre usage – from the fibre we make, to the textile manufacturers who weave it, through to finished garment manufacturing. Having an apparel manufacturer that's already internationally accredited using our Nomex fibre is, therefore, an opportunity to help us in growing our business. At PAI, they have an outward approach to business and realized very early the importance of earning the ISO 9000 certification. It's significant. They have an edge."

Erhardt F. Schumann
Industrial Protective Systems
DuPont Canada Inc.

companies purchasing protective workwear. They ensure that a quality assurance program is in place, as audited by an external standards organization. They mean that quality measures and procedures are being followed in the manufacturing of protective workwear and that they satisfy and/or exceed stringent international requirements.

It all impacts the bottom line when the market potential is considered. For protective garment manufacturers, it's a billion-dollar-plus industry – and growing. One of the world's leading fibre manufacturers, DuPont, currently has under construction its second Nomex fibre plant – a $220 million (U.S.) facility in Spain. A patented fibre, Nomex is used exclusively for protective garment applications. Industry insiders are convinced: the magnitude of DuPont's capital expenditure sends a strong signal about the potential for manufacturers of protective apparel.

Protective Apparel is an example of typical venture investments in which second and third stage expansion capital may be required to pursue growth strategies. This stage of investment typically involves between $500,000 and $5 million and is intended to finance growth in businesses with a broader geographic spread and more mature management than exists in early stage investments.

Vencap's investment in Protective Apparel Inc. - $1,250,000

Dan Starko, Chief Executive Officer;
David Starko, Director of Production;
Tom Starko, Director of Sales & Marketing,
Protective Apparel Inc.

Heard on Street: Investors Like BIOSYS Nematodes

Reprinted from Starquote Wire Service

NEW YORK – Is a high-tech worm worth (U.S.) $88.4 million? That was BIOSYS' stock-market value on the day it went public last month, The Wall Street Journal reported. ...

BIOSYS, which sold a 35% stake to the public at $12 a share in a Kemper Securities underwriting, sports a product already on store shelves. Its beneficial nematode, a naturally occurring parasite, destroys soil-dwelling insects. It will find a grub in a citrus orchard, say, and enter its body, infect it with bacteria, feed on it, multiply and hunt for more grubs. Fortunately, nematodes are harmless to humans, pets, fish, bees and other "good" creatures, such as earthworms. ...

BIOSYS' market could be huge. Growers are estimated to spend about (U.S.) $2.2 billion annually on substances to control soil insects. About 99% of these sales involve chemical pesticides. But BIOSYS fans think that growing interest in organic bug killers will send the company's sales rocketing.

Peter Drake, an analyst at Vector Securities, which co-managed the company's offering, estimates BIOSYS' sales can triple this year and do the same next year. He expects a loss of 29 cents a share this year, but a profit of 21 cents a share in 1993. After that, Drake's forecasts sail away – with earnings more than doubling to 48 cents a share in 1994 and rising to 92 cents a share in 1995. BIOSYS' sales will soar as a result of greater penetration of farm and home-gardening markets worldwide, Drake says. ... (And in the future), BIOSYS plans to tailor nematodes to specific pests – this one for weevils, that one for cockroaches. ...

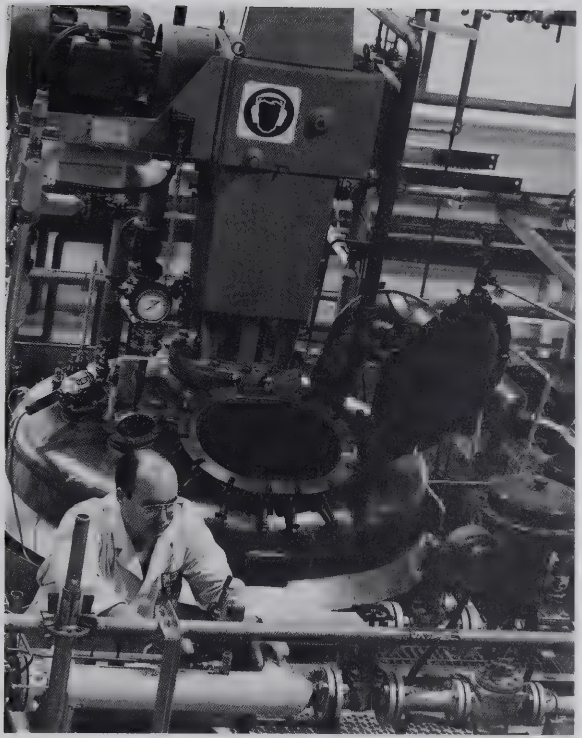
Though BIOSYS sells directly to farmers, in home gardening it's up against gigantic pesticide companies. Rather than fight them, it will join forces. BIOSYS has asked Ciba-Geigy to display and market its home-gardening nematodes under the label "Exhibit." Chevron's Ortho unit has agreed to sell BIOSYS' nematodes as "BioSafe." ...

BIOSYS can't patent a naturally occurring worm. What it does have is patents on a method of keeping them alive for five months in bottles and

VENCAP'S TECHNOLOGY PORTFOLIO

- $24.9 million total investments in 15 companies
- includes $13.9 million early stage, $9 million expansion, $2 million special situations
- 21.4% of total venture portfolio

Featured on these pages last year, Westronic Inc. has attracted significant attention for the leadership position it is developing in the industry of distribution automation for electrical utilities. Westronic's financial performance in the last year has seen revenues increase by 44%. The long-term strategy has been for some time to build and grow the company into an industry leader. To that end, Vencap has worked with management in concentrating on profitable growth strategies, establishing a strong board of directors, and attracting other quality investors.



BIOSYS is a classic example of an early stage company that, over a period of five years, has matured and realized a return for its investors by successfully undertaking an initial public offering. Vencap's first investment in the company, in 1987, of $386,262 resulted in BIOSYS' undertaking all of its research and development activity at The Alberta Research Council's Edmonton fermentation facility. Follow-on rounds of investment occurred in 1990 and 1991 as BIOSYS continued to achieve research, development and marketing milestones. Vencap's total investment in BIOSYS is $2,614,345, a 5.32% ownership position. Upon "going public", BIOSYS was valued at almost (U.S.) $90 million. Vencap continually monitors BIOSYS' stock price to determine when it is in the best interest of Vencap shareholders that we divest of our position, once holding periods established by the U.S. Securities and Exchange Commission have expired.

patents on a fermentation process used in growing nematodes. And developing specific nematodes does require research talent. **But here's what's most interesting** about the whole story: takeover potential. ... **BIOSYS Chairman Sam Colella doesn't think this is bad logic.** If nematodes start to eat up the market, so to speak, big farm-chemical companies "would be looking at BIOSYS as a serious acquisition candidate, no question about it," he says. Not a single insider at BIOSYS – including such entrepreneurial luminaries as William Hewlett and David Packard – sold their shares in the IPO, perhaps a sign that they believe the market – or a corporation – will pay a lot for BIOSYS shares someday soon. "Shareholders believe there is significant upside to this company," says Bruce Fielding Jr., chief financial officer.

– Craig Torres

Venkat Sohoni, President, BIOSYS

In addition to the potential for return, Vencap's investment in BIOSYS enables us to be involved with other technology investors and improves our ability at attracting developing initiatives to Alberta. Through investments such as this, we have been able to promote the cross-transfer of technology, manufacturing and marketing rights between U.S. and Alberta companies, and to bring additional credibility and exposure to ventures under development in this province.

Vencap's investment in BIOSYS - $2,614,345

BY QUARTER

(Millions, except per share figures)	1	2	3	4	Year-end
ASSETS	289.8	293.4	294.4	292.7	292.7
Marketable Securities	192.1	186.2	186.7	177.7	177.7
Venture Investments (carrying value)	91.0	100.4	102.2	109.3	109.3
SHAREHOLDERS' EQUITY	49.6	51.7	51.7	50.8	50.8
NET ASSET VALUE PER SHARE					
Basic	$12.07	$12.58	$12.88	$13.06	$13.06
Fully Diluted	$ 5.24	$ 5.36	$ 5.41	$ 5.41	$ 5.41
REVENUE					
Interest and Dividend Income, Gains, Losses (net) from					
Marketable Securities	4.6	4.2	4.4	4.0	17.2
Venture Investments	0.9	3.0	(0.4)	(0.5)	3.0
OPERATING EXPENSES	1.1	1.2	1.2	1.3	4.8
OTHER EXPENSES					
Comprised of interest on loan, and debenture interest and premium	2.7	3.5	2.0	1.7	9.9
NET INCOME	1.8	2.4	0.8	0.5	5.5
EARNINGS PER SHARE					
Basic	$ 0.44	$ 0.59	$ 0.19	$ 0.14	$ 1.36
Fully Diluted	$ 0.14	$ 0.18	$ 0.08	$ 0.07	$ 0.47

(Millions)	
Initial capitalization	$244.0
Cumulative venture investments, excluding commitments	(190.9)
Cash from venture dispositions and return of capital	64.1
Cash from dividends and interest on venture investments	19.5
Cash from dividends and interest on marketable securities (net)	41.0
Marketable securities, March 31, 1992	$177.7

FIRST QUARTER - April 1 to June 30, 1991

Dividend of $0.09 per share declared, an increase of $0.02 from the previous year's dividend of $0.07.

New venture investments:	Medwave, Inc. - $ .3 million Ubitrex Corporation - $1.3 million
Follow-on investments:	$3.8 million in six companies.

ALPECO redeems preferred shares; return of capital of $ .8 million.

Simborg proceeds of $ .2 million advanced from escrow.

Allowance against venture investment portfolio increased from $4.5 million to $5.5 million.

Normal Course Issuer Bid for convertible debentures concluded. 49,500 common shares and $38,000 of convertible debentures purchased and cancelled during the quarter.

SECOND QUARTER - July 1 to September 30, 1991

Conversion price of 12% convertible debentures increases from $2.50 per share equivalent to $4.00 per share.

Investment gain of $ .7 million on sale of Stanley Technology Group Inc. ($1.5 million earned over course of investment for total net funds earned by Vencap of $2.2 million. Over-all annualized rate of return 21%.)

New venture investment:	SangStat Medical Corporation - $1.4 million
Follow-on investments:	$10.4 million in five companies.

PTI Group Inc. withdraws its filing of registration for an initial public offering with the U.S. Securities and Exchange Commission.

Allowance against venture investment portfolio maintained at $5.5 million.

Normal Course Issuer Bid for common shares concluded with the purchase and cancellation of 7,800 shares.

THIRD QUARTER - October 1 to December 31, 1991

New venture investment:	Medicine Shoppe Canada - $ .6 million Marr's Leisure Holdings, Inc. - $1.4 million
Follow-on investments:	$2.9 million in five companies.

Investment in First Choice Wholesalers Inc. sold for net loss of $653,000.

Allowance against venture investment portfolio increased from $5.5 million to $6 million.

Normal Course Issuer Bids for both common shares and convertible debentures: approval received to purchase up to 390,750 common shares and up to $3,554,000 of convertible debentures, representing 10% of the aggregate principal amounts. 115,000 common shares and $678,000 of convertible debentures purchased and cancelled during the quarter.

FOURTH QUARTER - January 1 to March 31, 1992

Total investment gains of $ .3 million on dispositions of Peters & Co. Limited and Corod Industries, Inc. (over-all annualized rates of return 12.5% and 21.5% respectively.)

New venture investments:

Mark's Work Wearhouse Ltd. - $3 million
Central Western Railway Corporation - $1 million
Applied Microsystems Corporation - $2.9 million

Follow-on investments: $2.4 million in six companies.

Nova Entertainment Inc. placed in receivership. Permanent impairment recorded of $1 million.

BIOSYS undertakes initial public offering in U.S.

Investment in Alberta Television Network Inc. permanently impaired for $ .3 million.

Allowance against venture investment portfolio increased from $6 million to $7 million.

Normal Course Issuer Bids: 104,800 common shares and $574,500 of convertible debentures purchased and cancelled during the quarter.

Small Shareholder Selling Arrangement undertaken for shareholders with 99 or fewer common shares whereby Vencap pays brokerage commissions. Between February 27 and March 31, 226 shareholders participated, selling a total of 11,250 common shares.

The past year has been a very rewarding one for holders of Vencap shares, with both a significant share price enhancement and a strong dividend yield. The share price increase is exceptional in light of the economic environment of the past year. The dividend, Vencap's second, increased to $0.09 per share from $0.07 per share a year earlier.

Several items combined to enhance the value of Vencap's shares. A significant item was the scheduled increase in the conversion price of Vencap's 12% convertible debentures from $2.50 to $4.00 per share on July 3, 1991, which eliminated approximately 5,400,000 shares from the potential number of shares outstanding. Concurrent with the change in the conversion price, debenture holders converted $261,000 of debentures into 104,400 common shares. Under Normal Course Issuer Bids in operation during the year, Vencap purchased for cancellation 277,100 shares at an average price of $3.02, and $1,290,500 debentures (equivalent to 322,625 shares) at an average price of $119 to further reduce the potential dilution. Share value was also enhanced by net income for the year increasing to $5,492,000 from $1,327,000 for the year prior, and net asset value growing to $5.41 per share on a fully diluted basis.

Share Appreciation

	High	Low	Close	
March 31, 1992	$3.80	$2.20	$3.75	
March 31, 1991	$3.25	$2.15	$2.30	
Increase in share price			$1.45	(63.0%)
Dividend per common share			$0.09	

Vencap's common shares rose 63% during a year in which the Toronto Stock Exchange composite index dropped 4%. The major North American stock exchanges declined during the year as the recession continued to delay any sign of an economic recovery.

The 12% convertible debentures increased in price from $111 per $100 principal amount to $125 per $100 principal amount, an increase of 12.6%. When coupled with the ongoing interest payments, the convertible debentures provided a return in excess of 20% for the year.

The Province of Alberta's share options increased in value in proportion to the increase in value of the common shares. In addition, the Province earned $5,462,000 in interest on its long-term loan to which the options were originally attached.

The Impact on Vencap's Venture Portfolio

The recession took its toll on the venture investment portfolio, and affected the number of investment opportunities presented to Vencap.

For the year ended March 31, 1992, Vencap's investment staff reviewed 375 opportunities, down 15% from the prior year. An interesting shift in the origination of deals occurred during the year, with 48% of all approaches originating out of the province. Vencap's investment staff reviews each of these opportunities with reference to the terms of the Province of Alberta loan which requires that only those opportunities with potential benefit to Alberta are considered.

During the year, Vencap added 8 new companies to its portfolio, and made follow-on investments in another 17 companies (see pages 8 and 9 for details).

Venture Investments

	Number of Companies
March 31, 1991	38
New Investments	8
Dispositions	(4)
Full Permanent Impairments	(1)
March 31, 1992	41

Three of the companies added to the portfolio are headquartered in Alberta, two are located in Manitoba, and three are U.S.-based. The five companies from outside the province have important potential benefit, directly or indirectly, to Alberta.

Vencap sold four companies out of the venture portfolio, realizing profits of $1,067,000 on three, and a loss of $653,000 on the other. Annualized rates of return on the three sold at a profit range from 12.4% to 21.5%. In addition, $263,000 was received from companies sold or otherwise disposed of in prior years.

The economic recession led to the voluntary bankruptcy of one portfolio company, Nova Entertainment Inc., and forced Vencap to reconsider its interest in the Alberta Television Network. Permanent impairments of $1,292,000 have been recorded at March 31, 1992 on these two investments.

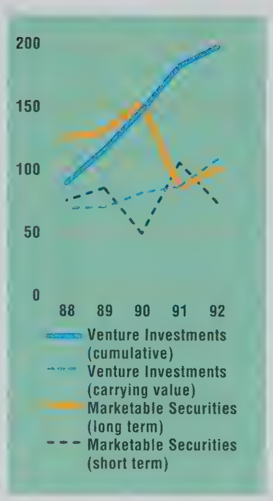
Total Gross Venture Portfolio	$116.3 million
Allowance	(7.0) million
Carrying Value of Portfolio	$109.3 million

The recession has slowed the progress of several companies in the venture portfolio which may have serious consequences for the long-term viability of those companies. In anticipation of the potential impact that may result, the Allowance for Unrealized Gains (Losses) was set at $7,000,000 at March 31, 1992. The increase in the Allowance, up from $6,000,000 at December 31, 1991, and from $4,500,000 at March 31, 1991, is a reflection of management's current assessment of the down-side risk in the venture portfolio.

Interest and dividend income from venture investments totalled $3,636,000, as compared to $2,383,000 for the prior year. Certain payments of interest and dividends are routine, while others are paid only as part of an over-all financial strategy for the investee company, making it difficult to forecast the level of interest and dividend income from venture investments in any one year.

The Impact on Vencap's Bond and Preferred Share Portfolio

During the past year the bond and preferred share markets reacted to credit downgradings and declining interest rates. Vencap began the year with $192,885,000 in marketable securities, of which $48,554,000 was in the short-term money market in anticipation of a forecasted recovery which would normally trigger higher interest rates. Instead, the recession deepened, and money market interest rates declined from 9.75% to 7.25% by year-end. The average money market return earned by Vencap on its short-term money market investments equated to 8.7%.



Vencap ended the year with $177,691,000 in marketable securities. The average cash yield on the portfolio was 9.2%. The portfolio's market value at March 31, 1992 totalled $179,623,000. The total return for the year, including the increase in market value was 9.3%. Income generated from the marketable securities portfolio declined to $17,139,000 during the year, from $20,060,000 last year. Lower average interest rates accounted for approximately 58% of the decline, while the reduction in the balance of the over-all portfolio accounted for the remainder.

Operating Costs

Operating costs rose 18% during the year, due primarily to increased staff levels. Investigation of new enquiries, while down in volume, placed greater demands on Vencap's due diligence process as many enquiries originated from out of the province. Increased travel time was required in order to properly investigate these investment opportunities without compromising the integrity and thoroughness of the due diligence process. As well, Vencap's commitment to its investee companies necessitated more time being dedicated to assisting these companies in pursuing growth strategies and new opportunities while withstanding the pressures of the recessionary economy.

We are concerned about the dramatic cost increase. However, withholding the value-added capabilities and expertise we are able to provide would have had more serious consequences.

Interest paid since 1983 on Province of Alberta loan - $57.7 million

Interest on long-term debt and interest paid on the 12% convertible debentures are significant operating costs incurred by Vencap, comprising 66% of total expenses at March 31, 1992.

Vencap's income tax position is affected by the level of dividend income received and the magnitude of the venture portfolio dispositions. Management currently estimates that $3,000,000 of non-capital losses and $1,700,000 of allowable capital losses are available to shelter future income.

Net Income, Earnings Per Share and Net Asset Value

At March 31, 1992 there were 3,887,165 common shares and their equivalents issued and outstanding. Potential dilution from the possible conversion of all outstanding 12% convertible debentures represents 8,622,625 shares. Potential dilution from the Province of Alberta options represents 4,000,000 shares, increasing the total number of common shares that would have been issuable on a fully diluted basis to 16,509,790. At March 31, 1991, potential fully diluted common shares were 22,476,665.

For the year ended March 31, 1992, net income reached $5,492,000, a four-fold increase over net income of $1,327,000 for the year ended March 31, 1991. Fully diluted earnings per share were $0.47 as compared to $0.10 a share.

On a fully diluted basis, net asset value per share increased 36.9%, from $3.95 at March 31, 1991 to $5.41 at March 31, 1992. A significant part of the increase relates to the reduction in the potential number of shares outstanding as a result of the change in the debenture conversion price during the year.

Net Asset Value Per Share
$13.06 (basic)
$ 5.41 (fully diluted)

Fiscal 1993

Vencap enters its next fiscal year on a continued strong financial footing, with $177,691,000 in its marketable securities portfolio. Management is aware, however, that this portfolio has declined in the past two years, and must be utilized to provide the best possible return to our shareholders. The marketable securities portfolio is also yielding less as a result of lower interest rates and dividend levels, a situation which is not expected to improve in fiscal 1993. Interest rates are expected to remain low as North American governments battle to end the recession.

Vencap will continue to pursue its current Normal Course Issuer Bids for 12% convertible debentures and common shares, as the removal of the potential dilution from the share base has had a significant impact on shareholder value. Vencap is eligible to purchase an additional $2,301,500 of debentures and 170,950 common shares under the current Normal Course Issuer Bids which expire October 29, 1992. Management will continue to explore other avenues for improving the value of Vencap's common shares.

Outlook for 1993 Venture Investments

Vencap will continue to invest in new opportunities, provided that the investment is of exceptional quality. Trends that emerged in the past year on the origins of new opportunities are expected to continue.

However, our major thrust in 1993 will again be to dedicate the greater part of our time and energies to working with the existing investee companies, striving to build and strengthen them while staying alert for exit opportunities. Of particular concern are those companies that have been weakened by the recession. Management's financial practices protect asset value by reflecting an increased Allowance against the venture portfolio. Management's operational practices are focused on all possible efforts to turn around those situations.

The risks inherent in investing in growth companies are huge. The risks of carrying on this activity in a recessionary environment increase exponentially. Vencap's management practices and decisions are being based on no dramatic upturn occurring for several years. Once the economic cycle is reversed, gains can and will be more readily realized. In the meantime, the professional staff will monitor and work with the portfolio companies in an effort to position as many of the investee companies as possible to realize gains on disposition when the circumstances permit.

MANAGEMENT'S REPORTING RESPONSIBILITY

The accompanying financial statements of Vencap Equities Alberta Ltd. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the corporation, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a comprehensive system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the corporation's annual financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the Audit Committee, with and without management being present.

The financial statements have been examined by the shareholders' auditors, Price Waterhouse, Chartered Accountants, and their report is presented herein.

R.A. (Sandy) Slator
President and
Chief Executive Officer

Ian T. Morris
Chief Financial Officer and
Secretary

AUDITORS' REPORT

April 30, 1992

To the Shareholders of Vencap Equities Alberta Ltd.

We have audited the balance sheet of Vencap Equities Alberta Ltd. as at March 31, 1992 and the statements of income, changes in financial position and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants
Edmonton, Alberta

BALANCE

SHEET

ASSETS

Marketable securities are the funds available for Vencap to invest in venture capital opportunities and which currently are deposited in bonds and preferred shares with minimal risk exposure.

The major risk is in the venture portfolio. This amount reflects the cost to Vencap adjusted for certain potential unrealized gains, losses, and accumulated permanent impairments, as described in Note 1. The venture investment portfolio is detailed on pages 8 and 9 of this Annual Report.

LIABILITIES AND SHAREHOLDERS' EQUITY

The company has minimal current liabilities.

Long-term debt relates to the original public offering. The 12% convertible debentures, issued as part of the original common share and convertible debenture units, are not repayable until 1998. The Province of Alberta loan is reduced by $1,000 each year until 2003, when payments of $15,000,000 commence. Interest on this loan is paid annually, calculated as approximately 50% of pre-tax income.

Shareholders' equity represents the net asset value accumulating on behalf of the shareholders. The company began in 1983 with $4,000,000 of share capital. Equity at year-end of $50,764,000 is an accumulation of earnings adjusted for other capital distributions, including dividends.

	March 31	
	1992	1991
	(Thousands)	
ASSETS		
Current assets		
Cash	$ 266	$ 138
Accounts receivable (Note 2)	4,288	4,591
Income taxes recoverable	224	965
Marketable securities maturing within one year (Note 3)	75,409	106,889
	80,187	112,583
Marketable securities maturing after one year (Note 3)	102,282	85,996
Venture investments (Note 4)	109,330	87,790
Other assets (Note 5)	885	1,041
	$ 292,684	**$ 287,410**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 967	$ 897
Accrued interest payable	6,470	1,763
	7,437	2,660
Long-term debt		
Convertible debentures (Note 6)	34,491	36,042
Province of Alberta loan (Note 7)	199,992	199,993
	234,483	236,035
Shareholders' equity	50,764	48,715
	$ 292,684	**$ 287,410**
Net asset value per common share (Note 10)		
Basic	$ 13.06	$ 12.00
Fully diluted	$ 5.41	$ 3.95

APPROVED ON BEHALF OF THE BOARD

D A Carlson Director   Director

STATEMENT OF INCOME

This statement reflects income and expenses for the year. Income is derived from two sources – the venture portfolio and marketable securities.

A sale of a venture investment results either in a gain or loss. Certain ventures pay interest or dividend income. Since 1983, Vencap has earned $19.5 million in interest and dividend income from the companies in its venture portfolio. A permanent impairment is recorded to reflect an irreversible loss in the value of a venture investment without the actual sale of the investment.

Income from marketable securities is principally interest or dividends, although a gain or loss may occur if a security is sold before its maturity.

Expenses represent the cost to Vencap of doing business and include the amount that Vencap will pay as interest on its loan from the Province of Alberta. Since 1983, Vencap has paid $57.7 million in interest to the Province.

Net income is added to retained earnings within the 'Statement of Changes in Shareholders' Equity'.

	Year Ended March 31	
	1992	1991
	(Thousands)	
Venture investments		
Interest and dividend income	$ 3,636	$ 2,383
Gains on disposition	1,330	3,447
Losses on disposition	(653)	(4,711)
Permanent impairment of value	(1,292)	(10,450)
Marketable securities		
Interest and dividend income	17,139	20,060
Gains (losses) on disposition	36	(174)
	20,196	10,555
Expenses		
Interest on Province of Alberta loan	5,462	709
Debenture interest and premium	4,505	5,090
Operating	4,767	4,047
	14,734	9,846
Income before income taxes	5,462	709
Recovery of income taxes (Note 9)	(30)	(618)
Net Income	**$ 5,492**	**$ 1,327**
Earnings per common share (Note 10)		
Basic	$ 1.36	$ 0.31
Fully diluted	$ 0.47	$ 0.10

STATEMENT OF CHANGES IN FINANCIAL POSITION

While the 'Balance Sheet' shows the company's financial position at year-end and the 'Statement of Income' shows the net of revenues less expenses, the 'Statement of Changes in Financial Position' illustrates how the financial resources of the company were generated and used, and the closing cash position of the company.

Cash provided by (used for) OPERATIONS reflects net income, adjusted for changes that did not involve the outlay of operating funds.

Cash provided by (used for) FINANCING relates specifically to changes in Vencap's financial structure of common shares, convertible debentures, and the Province of Alberta loan. These items include events such as the purchase and cancellation of both common shares and debentures.

Cash provided by (used for) INVESTMENTS reflects the cash inflows and outflows relating to both venture transactions and marketable securities.

	Year Ended March 31 1992	1991
	(Thousands)	
Cash provided by (used for)		
Operations		
Net income	$ 5,492	$ 1,327
Depreciation	187	161
Premium on purchase of debentures	245	427
Venture investments -		
Gains on disposition	(1,330)	(3,447)
Losses on disposition	653	4,711
Permanent impairment of value	1,292	10,450
Marketable securities -		
Losses (gains) on disposition	(36)	174
	6,503	13,803
Net changes in working capital balances -		
Income taxes recoverable	741	(675)
Accounts receivable	303	1,661
Accrued interest payable	4,707	(4,998)
Other	39	(69)
	12,293	**9,722**
Financing		
Purchase and cancellation of common shares	(842)	(842)
Issuance of Class B preferred shares	–	54
Purchase and cancellation of debentures	(1,535)	(4,384)
Dividends	(362)	(307)
Province of Alberta loan	(1)	(1)
	(2,740)	**(5,480)**
Investments		
Venture investments, net of return of capital	(30,220)	(25,433)
Proceeds on disposition of venture investments	5,565	10,386
Marketable securities	15,230	10,665
	(9,425)	**(4,382)**
Increase (decrease) in cash	128	(140)
Cash, beginning of year	138	278
Cash, end of year	**$ 266**	**$ 138**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

This statement records changes in shareholders' equity over a two-year period.

The inclusion of net income within shareholders' equity illustrates that earnings accumulated over time accrue to the shareholders.

The amount of allowance provided is of particular interest in that it represents the risk that Vencap believes to be associated with its venture investment portfolio at March 31, 1992.

Share account balances comprise the capital originally committed by the shareholders, as well as any transactions between Vencap and its shareholders.

	Class B Preferred Shares	Common Shares	Retained Earnings	Allowance For Unrealized Gains And Losses on Venture Investments	Total
			(Thousands)		
Balance, March 31, 1990	**$204**	**$4,354**	**$48,424**	**$(6,500)**	**$46,482**
Net income for the year	–	–	1,327	–	1,327
Dividends					
($0.07 per common share)	–	–	(307)	–	(307)
Decrease in allowance for unrealized gains and losses on venture investments	–	–	–	2,000	2,000
Share transactions:					
Issued	54	–	–	–	54
Purchased and cancelled	–	(369)	(473)	–	(842)
Converted	(9)	9	–	–	–
Debenture conversion	–	1	–	–	1
Balance, March 31, 1991	**249**	**3,995**	**48,971**	**(4,500)**	**48,715**
Net income for the year	–	–	5,492	–	5,492
Dividends					
($0.09 per common share)	–	–	(362)	–	(362)
Increase in allowance for unrealized gains and losses on venture investments	–	–	–	(2,500)	(2,500)
Share transactions (Note 8):					
Purchased and cancelled	–	(295)	(547)	–	(842)
Converted	(79)	79	–	–	–
Debenture conversion	–	261	–	–	261
Balance, March 31, 1992	**$170**	**$4,040**	**$53,554**	**$(7,000)**	**$50,764**

MARCH 31, 1992

1. Summary of significant accounting policies

Marketable securities -

Marketable securities maturing within one year, consisting of bonds and preferred shares with predetermined maturities, are recorded at cost.

Marketable securities maturing after one year are recorded at cost unless there has been a permanent impairment in value. A loss associated with a permanent impairment would be reflected in the statement of income.

Venture investments -

Venture investments having quoted market values and which are publicly traded on a recognized exchange are recorded at values based on the quoted market prices at the balance sheet date.

Venture investments not having quoted market values are recorded at directors' estimates of fair value. Fair value is defined as the expected realization if venture investments were disposed of in an orderly distribution over a reasonable period of time.

Realized gains or losses on disposition of venture investments, together with losses incurred when the value of investments has been permanently impaired, are recorded in the statement of income. Unrealized gains or losses in the value of investments, net of applicable interest on the Province of Alberta loan and income taxes, are reflected as a separate element in the statement of changes in shareholders' equity.

The valuation procedure includes preparation by management, on a quarterly basis, of a written summary of the status of each venture investment. The Audit Committee reviews each investment to determine its carrying value, and the Board of Directors approves the final valuation. The valuation process includes inherent uncertainties and the values determined might differ from values that would have been obtained had a ready market existed for disposing of the investments.

2. Accounts receivable

	1992	1991
	(Thousands)	
Interest and dividends receivable	$3,234	$4,375
Proceeds from sale of venture investment	804	–
Other	250	216
	$4,288	$4,591

3. Marketable securities

Maturing within one year -

	1992		1991	
	Cost	Market Value	Cost	Market Value
	(Thousands)			
Government bonds	$ 7,527	$ 7,659	$ 11,842	$ 11,910
Term deposits	51,512	51,512	48,554	48,555
Preferred shares	16,370	15,802	46,493	46,500
	$ 75,409	$ 74,973	$ 106,889	$ 106,965

Maturing after one year -

	1992		1991	
	Cost	Market Value	Cost	Market Value
	(Thousands)			
Government bonds	$ 52,110	$ 54,217	$ 60,085	$ 61,150
Preferred shares	50,172	50,433	25,911	22,323
	$ 102,282	$ 104,650	$ 85,996	$ 83,473

4. Venture investments

Venture investments are held in the following instruments -

	1992	1991
	(Thousands)	
Preferred shares	$ 47,610	$ 44,569
Common shares	50,046	37,752
Loans	18,674	9,969
	116,330	92,290
Allowance for net unrealized gains and losses	(7,000)	(4,500)
	$109,330	$ 87,790

The majority of the preferred shares include rights to convert to common shares.

During the year, venture investments increased as follows -

	1992	1991
	(Thousands)	
New investments	$ 31,377	$ 26,838
Return of capital	(1,157)	(1,405)
Dispositions, at cost	(4,889)	(11,650)
Permanent impairment of value	(1,292)	(10,450)
	24,039	3,333
Increase in allowance for unrealized gains and losses	(2,500)	–
Decrease in allowance for unrealized gains and losses	–	2,000
	$ 21,539	$ 5,333

5. Other assets

	1992	1991
	(Thousands)	
Fixed assets, at cost less accumulated depreciation	$ 414	$ 547
Employee share purchase loans	471	494
	$ 885	$ 1,041

The share purchase loans are provided interest-free to employees in connection with their purchase of Class B preferred shares. The loans are secured by demand promissory notes and the related shares, and are repayable at the earliest of demand by the company, 10 years from the date of issue, sale of common shares received upon conversion, or termination of employment.

6. Convertible debentures

The following transactions occurred during the year -

	1992	1991
	(Thousands)	
Balance, beginning of year	$36,042	$40,000
Conversion into common shares	(261)	(1)
Purchased and cancelled under Normal Course Issuer Bids	(1,290)	(3,957)
Balance, end of year	$34,491	$36,042

The convertible debentures, due July 2, 1998, bear interest at 12% per annum payable semi-annually on the second day of January and July in each year. The debentures are convertible until maturity at the option of the holders into common shares at a conversion price of $4.00 per common share. If all debentures outstanding were converted at March 31, 1992, 8,622,625 common shares would be issued.

During the year, debentures were purchased for cancellation under the terms of Normal Course Issuer Bids dated September 13, 1990 and October 30, 1991. The premium of $245,000 (1991 - $427,000) on purchase of the debentures has been expensed.

7. Province of Alberta loan

The Province of Alberta loan is to be repaid in instalments of $1,000 each year through to 2002 and $15,000,000 in each of the years 2003 to 2012 inclusive, with the balance due in 2013. Interest is calculated as a percentage of the company's pre-tax income, defined as income before deducting income taxes, and excluding interest on the Province of Alberta loan and interest on any debt subordinated to the Province of Alberta loan. Interest continues to be payable from 2013 to 2033 at the rate of 10% of pre-tax income, as defined above.

The loan is secured by a debenture which provides for a fixed charge on securities owned by the company having an aggregate book value of $175,000,000. The debenture also provides for a floating charge on all the company's assets and an assignment of receivables.

The Province of Alberta has an option to purchase up to 4,000,000 Special Shares at a price of $1.00 per share. Any number of Special Shares, if issued, would have 20% of the total number of votes attaching to all shares eligible to vote at meetings of the shareholders.

8. Share capital

Authorized -

Unlimited number of Class A preferred shares
Unlimited number of Class B preferred shares
Unlimited number of Special Shares
Unlimited number of common shares

Issued -

	Class B Preferred Shares		Common Shares	
	Number of Shares	Amount (Thousands)	Number of Shares	Amount (Thousands)
Balance at March 31, 1990	14,100	$204	4,248,600	$ 4,354
Issued during year	3,000	54	–	–
Conversion of Class B shares	(500)	(9)	5,000	9
Conversion of debentures	–	–	400	1
Cancellation under Issuer Bid	–	–	(360,135)	(369)
Balance at March 31, 1991	16,600	249	3,893,865	3,995
Conversion of Class B shares	(5,300)	(79)	53,000	79
Conversion of debentures	–	–	104,400	261
Cancellation under Issuer Bid	–	–	(277,100)	(295)
Balance at March 31, 1992	**11,300**	**$170**	**3,774,165**	**$4,040**

The company has designated 50,000 non-voting Class B preferred shares - Series I for purchase by employees. Each share can be converted into 10 common shares and is entitled to receive dividends equal to ten times the amount of cash dividends declared on each common share.

Under the terms of Normal Course Issuer Bids dated September 13, 1990, and October 30, 1991, the company purchased its common shares. The excess of the purchase price over carrying value, in the amount of $548,000 (1991 - $473, 000), was charged to retained earnings.

9. Income taxes

The provision for income taxes differs from the amount computed by applying the combined federal and provincial income tax rate to income before income taxes. The differences are as follows:

	1992	1991
	(Thousands)	
Income before income taxes	$ 5,462	$ 709
Combined federal and provincial income tax rate	44.34%	43.84%
Computed provision for income taxes	$ 2,422	$ 311
Increase (decrease) in income taxes resulting from -		
Non-taxable dividend income	(4,275)	(3,698)
Non-taxable portion of capital losses	111	871
Non-capital losses not recognized in the financial statements	1,368	–
Items charged to operations not currently deductible	164	2,119
Prior year's adjustment	–	(457)
Tax on large corporations	180	236
Recovery of income taxes	$ (30)	$ (618)

The company has non-capital losses of approximately $3,000,000 available to offset future taxable income, which expire in 1999. In addition, the company has allowable capital losses of approximately $1,700,000 which may be carried forward indefinitely to reduce future taxable capital gains. The potential benefit of these losses has not been recognized in the financial statements.

10. Earnings and net asset value per common share

The calculation of basic earnings per share is based on the weighted average number of common and Class B preferred shares outstanding during the year.

Fully diluted earnings per share consider the dilutive impact of the conversion of the convertible debentures (Note 6) and the exercise of the Province of Alberta Special Share option (Note 7), as if such events had occurred at the beginning of the year.

Basic net asset value per share is calculated based on the number of common and Class B preferred shares outstanding at the end of the year. The calculation of fully diluted net asset value per share reflects the dilutive effect of the conversion of the convertible debentures and exercise of the Province of Alberta Special Share option.

11. Contingencies and commitments

Amounts totalling $805,000 remain in escrow from prior years' dispositions of venture investments. Any amounts received by the company will be included in income when the escrow conditions are satisfied.

As a condition of disposition of a venture investment during a prior year, the company may be liable for certain environmental clean-up costs. The amount of any payment which may be required cannot currently be determined, but is not expected to be significant.

The company is a defendant in a number of legal actions. Management is of the opinion that there will be no material liabilities arising from these actions.

The company is committed for rental of office space in the amount of approximately $127,000 for each of the next five years.

VENCAP

EQUITIES

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Committees

Executive:
Don Carlson, Chairman
Peter L.P. Macdonnell, C.M., Q.C.
J.H. (Jack) Nodwell
R.A. (Sandy) Slator
John B. Zaozirny, Q.C.

Audit:
J. Gregory Greenough, Chairman
John E. Barry
Robert J. Elliott

Human Resources & Compensation:
John D. Wood, Chairman
J. Gregory Greenough

Officers of the Corporation

Don Carlson
Chairman of the Board

R.A. (Sandy) Slator
President and Chief Executive Officer

Ian T. Morris
Chief Financial Officer and Secretary

Offices of the Corporation

In Calgary:
Richard M. Harland, Investments
Oleh S. Hnatiuk, Investments
Lane Kranenburg, Investments
F.W. (Woody) Kuehn, Investments
W.A. (Bill) Cochrane, Medical Technologies Consultant

In Edmonton:
Janet G. Goodwin, Corporate Communications
Betty J. Graber, Executive Assistant to the President
W.R. (Bill) McKenzie, Investments
Ian T. Morris, Chief Financial Officer
Michael E. Phillips, Investments
Thomas K. Rice, Investments
R.A. (Sandy) Slator, President and Chief Executive Officer
M. Christine Stacey, Controller
David E. Stitt, Investments

Vencap Equities Alberta Ltd. is incorporated under the laws of The Province of Alberta. Common shares and convertible debentures of the corporation are listed on The Alberta Stock Exchange, symbol VCE (common shares) and VCE.X (convertible debentures). Fiscal year-end: March 31. Interim reports mailed: August, November, February.

Shareholders with changes of address or seeking information or assistance concerning their holdings should contact Vencap's Registrar and Transfer Agent:
The R-M Trust Company
600 Dome Tower
Toronto Dominion Square
333 - 7 Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: 1-800-665-3906

Bankers
Royal Bank of Canada

Lawyers
Milner Fenerty
Barristers and Solicitors

Auditors
Price Waterhouse
Chartered Accountants

Investor Information
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